

Message Text

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ACTION EUR-12

INFO OCT-01 EA-10 IO-13 ISO-00 AID-05 CEA-01 CIAE-00
COME-00 EB-08 FRB-03 INR-10 NSAE-00 SP-02 STR-07
TRSE-00 LAB-04 SIL-01 OMB-01 /078 W
-----073628 010824Z /11

R 311824Z MAR 78
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 5795
INFO ALL EC CAPITALS
USMISSION GENEVA
AMEMBASSY BELGRADE
AMEMBASSY BERLIN
AMEMBASSY BUDAPEST
AMEMBASSY PRAGUE
AMEMBASSY MADRID
AMEMBASSY MOSCOW
AMEMBASSY SEOUL
AMEMBASSY TOKYO
AMEMBASSY WARSAW

C O N F I D E N T I A L SECTION 01 OF 02 BRUSSELS 06375

USEEC

E.O. 11652: GDS
TAGS: EEC, ETRD
SUBJ: STEEL: EC BILATERALS WITH EAST EUROPEANS

REF: BRUSSELS 5911

1. DURING CALL ON USMISSION AT HIS REQUEST, ROMANIAN
EMBASSY OFFICIAL (COVACI) ANSWERED MISSION OFFICERS'
QUESTIONS ON STATUS OF EC-ROMANIAN DISCUSSIONS ON STEEL
RESTRAINTS. COVACI SAID THAT INITIAL CONTACT SEVERAL
WEEKS AGO HAD ALLOWED ROMANIAN OFFICIALS TO OBTAIN
CLARIFICATION ON OPERATION OF EC STEEL PLANS BUT HAD NOT
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BEEN AN ACTUAL NEGOTIATION. SINCE THEN, EC COMMISSION HAS
PRESENTED ITS PROPOSAL FOR A BILATERAL RESTRAINT
AGREEMENT WITH BOTH A QUANTITATIVE AND A PRICE CLAUSE.
IN WHAT HE TERMED PERSONAL COMMENTS, COVACI SAID THAT
THE EC BASE PRICES ARE SET TOO HIGH; THAT HE IS DOUBTFUL
THAT THE COMMISSION WOULD BE ABLE IN PHASE II TO PREVENT
ALIGNMENT BY DOMESTIC PRODUCERS ON AGREED PRICES AND THAT

THE PRICE MARGIN SUGGESTED BY THE COMMISSION FOR ROMANIA WAS TOO SMALL. OVERALL ROMANIAN REACTION TO IDEA OF BOTH A PRICE AND QUANTITATIVE RESTRICTION HAS BEEN NEGATIVE.

2. COVACI INDICATED THAT THE NEXT STEP IN THE NEGOTIATION WILL BE FURTHER MEETINGS IN BRUSSELS. HE SAID HE HAD NO IDEA HOW LONG A NEGOTIATION MIGHT TAKE NOR WAS HE CERTAIN THAT IT WOULD LEAD TO AN AGREEMENT. HE MENTIONED THAT EC COUNTRIES CURRENTLY SELL ABOUT 4 OR 5 TIMES MORE STEEL TO ROMANIA THAN IT EXPORTS TO EC. IN THE EVENT THAT NEGOTIATIONS WERE UNSUCCESSFUL AND THE EC IMPOSED UNILATERAL RESTRICTIONS ON ROMANIAN EXPORTS OF STEEL, IT WOULD BE NECESSARY FOR ROMANIA TO LOOK ELSEWHERE FOR SOURCES FOR ITS OWN STEEL IMPORTS. HE EMPHASIZED THAT ROMANIAN CAPACITY TO EXPORT WAS SMALL AND WOULD REMAIN SO. COVACI COMMENTED THAT ACTION TAKEN BY COMMUNITY LAST DECEMBER TO RESTRICT IMPORTS, WITH ONLY TEN DAYS NOTICE TO SUPPLIERS, BORDERED ON THE "UNFRIENDLY."

3. IN SEPARATE CONVERSATION WITH MISSION OFFICER, EC COMMISSION OFFICIAL WHO IS PARTICIPATING IN STEEL NEGOTIATIONS WITH EAST EUROPEANS (FOUERE) SAID THAT TALKS WITH ROMANIANS RESUMED EVENING OF MARCH 30 AND WILL CONTINUE THROUGH THE WEEKEND OF APRIL 1-2. FOUERE CHARACTERIZED ROMANIAN NEGOTIATING DEMANDS AS "TOTALLY CONFIDENTIAL

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UNREALISTIC AND UNACCEPTABLE," ADDING THAT ROMANIANS ARE CLAIMING THEY DESERVE SPECIAL CONSIDERATION FROM THE COMMUNITY BECAUSE THEY WERE THE FIRST TO AGREE TO NEGOTIATE.

4. FOUERE ALSO INDICATED THAT MARCH 24-25 NEGOTIATIONS WITH CZECHOSLOVAKIA IN GENEVA PRODUCED ALMOST COMPLETE AGREEMENT ON TERMS OF A STEEL ARRANGEMENT, WHICH MIGHT POSSIBLY BE SIGNED NEXT WEEK. HE INDICATED THAT NEGOTIATIONS WITH THE CZECHS HAVE BEEN ON THE SAME BASIS AS BILATERAL TALKS WITH OTHER COUNTRIES, BUT THAT EC HAS AGREED TO COSMETIC PREAMBULAR LANGUAGE TO SATISFY CZECH CONCERNS ABOUT BEING INVOLVED IN DIRECT NEGOTIATIONS WITH THE COMMUNITY AS SUCH (STEMMING FROM STRICT CZECH ADHERENCE TO SOVIET LINE ON NON-RECOGNITION OF THE COMMUNITY). ACCORDING TO FOUERE, THE EC/CZECH ARRANGEMENT WILL BE CONCLUDED BETWEEN THE CZECH REPRESENTATIVE TO GATT AND THE HEAD OF THE COMMISSION DELEGATION TO THE INTERNATIONAL ORGANIZATIONS IN GENEVA (LUYTEN). THE PREAMBLE TO THE TEXT OF THE ARRANGEMENT FURTHER REFERS TO THE PRINCIPLES AND OBJECTIVES OF THE GATT AND TO THE CZECH AND EC MEMBERSHIP IN THAT

BODY. FOUERE EMPHASIZED THAT THIS PREAMBULAR LANGUAGE IN NO WAY ALTERS THE SUBSTANTIVE CONTENT OF THE ARRANGEMENT, WHICH IS IDENTICAL TO THAT THE COMMUNITY IS SEEKING IN OTHER BILATERAL NEGOTIATIONS.

5. FOUERE SAID THAT NEGOTIATIONS WITH HUNGARY ARE EXPECTED TO BEGIN NEXT WEEK, BUT THAT NO OTHER EAST EUROPEAN STATES HAVE YET EXPRESSED A WILLINGNESS TO ENTER INTO TALKS. DURING MARCH 30 CONVERSATION WITH MISSION OFFICER, DANISH PERMREP OFFICIAL (NAEGELI)

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FM AMEMBASSY BRUSSELS

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USEEC

RESPONSIBLE FOR EAST-WEST TRADE MATTERS COMMENTED THAT EAST EUROPEANS HOLD HIGH CARDS IN STEEL NEGOTIATIONS WITH EC, IN VIEW OF FACT THAT THEY IMPORT CONSIDERABLY MORE FROM THE COMMUNITY THAN THEY EXPORT. NAEGELI OBSERVED THAT EC OFFICIALS DO NOT EXPECT SOVIETS OR EAST GERMANS TO AGREE TO ANY FORM OF STEEL TALKS. MORRIS

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